

Message Text

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PAGE 01 STATE 026063

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ORIGIN EB-07

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CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07

L-02 LAB-04 NSAE-00 NSC-05 PA-02 RSC-01 AID-05

CIEP-02 SS-15 STR-04 TAR-01 USIA-15 PRS-01 SP-02

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USDA/FAS:LHURT

TREASURY:JSCHOTT

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA

AMEMBASSY PORT LOUIS

INFO AMEMBASSY BRASILIA

AMEMBASSY LIMA

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SUBJECT: SUGAR AND LONG TERM CONTRACTS

REF: (A) STATE 17047; (B) MANILA 1178; (C) PORT LOUIS 54;

(D) STATE 272115; (E) STATE 272385; (F) STATE 254114;

(G) LIMA 842

1. THE ADVANTAGES OF LONG TERM CONTRACTING FOR SUGAR
SUPPLIES BETWEEN FOREIGN PRODUCERS AND U.S. REFINERS AND
CONSUMERS HAS BEEN WIDELY CONSIDERED SINCE THE DEFEAT OF
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PAGE 02 STATE 026063

THE SUGAR ACT IN JUNE, 1974. WE HAVE INDICATIONS THAT

INITIATIVES IN THIS DIRECTION HAVE BEEN TAKEN BY US SUGAR IMPORTERS. UNCERTAINTY OVER A POSSIBLE EXTENSION OF THE SUGAR ACT SERVED TO DISSUADE FIRMS FROM SUCH CONTRACTING DURING 1974 (REFTELS D AND E).

2. USDA OFFICIALS HAVE ENCOURAGED U.S. BUYERS TO ENTER INTO LONG-TERM CONTRACTS. ON NOVEMBER 19, 1974, ARTHUR B. CALCAGNINI, THEN DIRECTOR OF THE SUGAR DIVISION, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, USDA, IN A SPEECH BEFORE THE NATIONAL SOFT DRINK ASSOCIATION AT ATLANTIC CITY, NEW JERSEY, STATED: QUOTE I AM PLEASED TO HEAR THAT PRIVATE INDUSTRY NEGOTIATIONS ARE UNDERWAY IN SEVERAL DIRECTIONS WITH FOREIGN COUNTRIES FOR LONG TERM CONTRACTS. SOME OF THE TERMS WHICH I UNDERSTAND ARE UNDER DISCUSSION SOUND QUITE APPEALING. I SEE NO REASON

WHY THE INDUSTRY CANNOT COMPETE EFFECTIVELY WITH OTHER BUYERS THROUGHOUT THE WORLD, MANY IN LESSER DEVELOPED AREAS THAT LACK THE MANAGEMENT EXPERIENCE YOU HAVE. UNQUOTE. MORE SPECIFICALLY, MR. CALCAGNINI WENT ON: QUOTE. I ASK EACH OF YOU TO MAKE A POSITIVE DECISION. IT IS YOUR RESPONSIBILITY TO BREAK WITH THE PAST IN ORDER TO CREATE A MARKETPLACE WHERE EACH AND EVERYONE KNOWS WHERE HE STANDS AT ANY GIVEN TIME. TO REJECT THIS RESPONSIBILITY OR WAIT FOR THE NEXT FELLOW TO TAKE THE INITIATIVE IS TO ALLOW YOURSELF TO BE AT THE MERCY OF THE UNKNOWN FOR AN UNFORSEEABLE PERIOD. PLAN AGGRESSIVELY. USE ALL YOUR AVAILABLE SOURCES TO BUILD THE MANAGEMENT TOOLS TO TAKE THESE DIFFICULT DECISIONS TO BUY AHEAD. SUPPORT THIS COUNTRY'S SUGAR REFINING INDUSTRY AND ENCOURAGE ITS EFFORTS TO SEEK LONG-TERM CONTRACTS WITH OUR TRADITIONAL FOREIGN SUPPLIERS. UNQUOTE.

3. OTHER USG ACTIONS ENCOURAGING SUCH LONG-TERM CONTRACTING HAVE BEEN TAKEN. IN HIS STATEMENT OF NOVEMBER 18, 1974 ANNOUNCING THE U.S. GLOBAL QUOTA FOR 1975, (REFTEL F) PRESIDENT FORD SAID: QUOTE. EARLY SEASON CONTRACTING BETWEEN FARMERS AND PROCESSORS COULD BE VERY HELPFUL IN 1975, AND LONG-TERM CONTRACTING BETWEEN U.S. REFINERS AND FOREIGN SUPPLIERS COULD BE VERY BENEFICIAL. UNCLASSIFIED

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PAGE 03 STATE 026063

CIAL AS WELL. OUR TRADITIONAL FOREIGN SUGAR SUPPLIERS WHO HAVE BENEFITED FROM OUR SUGAR PROGRAM IN THE PAST ARE ALSO URGED TO CONTINUE PROVIDING SUGAR TO OUR MARKET. UNQUOTE.

4. POSTS MAY DRAW ON THE ABOVE IN CONVERSATIONS WITH HOST GOVERNMENTS ON THIS MATTER.

5. THUS FAR CONTACTS WITH THE U.S. SUGAR TRADE INDICATE

NO GREAT DESIRE TO ENTER INTO LONG-TERM CONTRACTS. IN INFORMAL CONTACTS WITH BOTH U.S. INDUSTRY REPRESENTATIVES AND FOREIGN SUPPLIERS THE DEPARTMENT HAS ENCOURAGED THE EXPLORATION OF SUCH ARRANGEMENTS AS A POSSIBLE WAY TO INSURE SUPPLIES. HOWEVER, FACTORS WHICH LIMIT USG INITIATIVES IN THIS AREA ARE: THE DESIRE OF CONGRESS TO MAINTAIN ITS PREROGATIVES, INCLUDING ITS QUOTA SETTING AUTHORITY WITHOUT BEING BURDENED WITH A NEW SET OF PROTAGONISTS REPRESENTING DOMESTIC GROUPS WHO HAPPEN TO HOLD LONG-TERM CONTRACTS WITH FOREIGN SUPPLIERS; THE ANTIPATHY ALREADY EXPRESSED BY SOME FOREIGN SUPPLIERS TO LONG-TERM ARRANGEMENTS BECAUSE OF THE DIFFICULTY IN SETTING MUTUALLY AGREEABLE PRICES; THE DANGER THAT SUCH ARRANGEMENTS COULD NOT BE WORKED OUT WITH ALL COUNTRIES, RESULTING IN DISCRIMINATION IN FAVOR OF THOSE FEW WITH WHOM AGREEMENT CAN BE REACHED; AND THE DESIRE OF PRIVATE U.S. SUGAR INTERESTS TO MAKE DECISIONS WITHOUT GOVERNMENT INTERFERENCE.

6. SEVERAL FOREIGN SUPPLIERS HAVE INITIATED DISCUSSIONS ON LONG-TERM CONTRACTS WITH U.S. BUYERS. IF THE PHILIPPINES AND MAURITIUS FEEL IT WOULD BE IN THEIR INTEREST TO LOOK INTO SUCH POSSIBILITIES THEY MIGHT TAKE THE INITIATIVE TO CONTACT U.S. BUYERS. HOST GOVERNMENTS SHOULD BE CLEARLY AWARE THAT A LONG-TERM CONTRACT SIGNED NOW IS NO ASSURANCE THAT ANY QUOTA THEY MIGHT RECEIVE UNDER FUTURE SUGAR LEGISLATION EMBODYING COUNTRY QUOTAS WOULD BE AS LARGE AS THE AMOUNT COVERED IN THE LONG-TERM CONTRACT. IN THE PAST CONGRESS HAS FAVORABLY CONSIDERED QUOTA REQUESTS FROM COUNTRIES WHICH TOOK INITIATIVES ON THEIR OWN TO SUPPLY OUR MARKET WHEN WE NEEDED SUGAR. SEVERAL MEMBERS OF THE HOUSE AGRICULTURE COMMITTEE ARE UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 026063

ALREADY CONSIDERING THE POSSIBILITY OF DRAFTING NEW SUGAR LEGISLATION, INCLUDING COUNTRY QUOTAS.

7. FOR PORT LOUIS. DEPARTMENT WELCOMES NEWS THAT MAURITIUS WANTS TO SHIP 100,000 TONS TO U.S. KISSINGER

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